

Line-by-Line Instructions for Form MI-1040CR

Lines not listed are explained on the form.

Lines 1, 2 and 3: Enter your name(s), address and Social Security number(s). If you are married, filing separate claims, enter both Social Security numbers, but do **not** enter your spouse's name.

Line 5: Check the box(es) that applies to you or your spouse as of December 31, 2006:

a) Age 65 or older.

Unremarried surviving spouse of a person who was 65 or older at the time of death. You are considered 65 the day before your 65th birthday.

b) Deaf, blind (see page 10, 9c instructions), hemiplegic, paraplegic, quadriplegic or totally and permanently disabled (as defined under Social Security Guidelines 42 USC 416).

Property Tax and Household Income

Include all taxable and nontaxable income you and your spouse received

in 2006. If your family lived in Michigan and one spouse earned wages outside Michigan, include the income earned out of state in your household income. (See "Household Income" on page 17 and "Property Taxes That Can Be Claimed for Credit" on page 18.)

Line 6: If you own your homestead, enter the 2006 taxable value from your 2006 property tax statement or assessment notice. If you do not know your taxable value, ask your local treasurer. Farmers should include the taxable value on all land that qualifies for this credit.

Line 7: Read "Property Taxes That Can Be Claimed for Credit" on page 18 before you complete this line.

Line 11: Enter all compensation received as an employee. Include strike pay, supplemental unemployment benefits (SUB pay), sick pay or long-term disability benefits, including income protection insurance and any

other amounts reported to you on Form W-2.

Line 13: Enter the total of the amounts from your U.S. *Schedule C* (business income or loss), U.S. 4797 (other gain or loss) and U.S. *Schedule E* (rents, royalties, partnerships, S corporations, estates and trusts). Include amounts from sources outside Michigan. **Attach these schedules to your claim.**

Line 14: Enter all annuity, retirement pension and IRA benefits and the name of the payer. This should be the taxable amount shown on your U.S. 1099-R. If no taxable amount is shown on your U.S. 1099-R, use the amount required to be included in AGI. Enter zero if all of your distribution is from your contributions made with income previously included in AGI. Include reimbursement payments such as an increase in a pension to pay for Medicare charges. Also include the total amount of any lump sum distribution including amounts reported on your U.S. 4972. Do not include

recoveries of after-tax contributions or amounts rolled over into another plan (amounts rolled over into a Roth IRA must be included to the extent included in AGI).

You must include any part of a distribution from a Roth IRA that exceeds your total contributions to the Roth IRA regardless of whether this amount is included in AGI. Assume that all contributions to the Roth IRA are withdrawn first. **Note:** Losses from Roth IRAs cannot be deducted.

Line 15: Enter the amount from U.S. *Schedule F* (farm income or loss). Attach *Schedule F*.

Line 16: Enter net capital gains and losses. This is the total of short- and long-term gains, less short- and long-term losses from your U.S. *Schedule 1040D*, line 16 (for gains) or line 21 (for losses--cannot exceed \$3,000). Include gains realized on the sale of your residence regardless of your age or whether or not these gains are exempt from federal income tax.

Line 17: Enter alimony received and other taxable income. Describe other taxable income. This includes:

- Awards, prizes, lottery, bingo and other gambling winnings over \$300
 - Farmland preservation tax credits, if not included in farm income on line 15.
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Line 18: Enter your Social Security, Supplemental Security Income (SSI) and/or Railroad Retirement benefits. Include death benefits and amounts received for minor children or other dependent adults who live with you. Report the amount actually received. Do **not** include the amount deducted for Medicare.

Line 19: Enter child support and all payments received as a foster parent. **Note:** If you received a 2006 *Child Support Year-End Statement* (FEN-851) showing child support payments paid to the Friend of the Court, enter the child support portion here and attach a copy of the statement. See line 23.

Line 21: Enter other nontaxable income. This includes:

- Compensation for damages to character or for personal injury or sickness
- An inheritance (**except an inheritance from your spouse**)
- Proceeds of a life insurance policy paid on the death of the insured (**except benefits from a policy on your spouse**)
- Death benefits paid by or on behalf of an employer
- The value over \$300 in gifts of cash, merchandise or expenses paid on your behalf (rent, taxes, utilities, food, medical care, etc.) from parents, relatives or friends
- Minister's housing allowance
- Amounts paid directly to you as a scholarship, stipend, grant or GI bill benefits
- Reimbursement from dependent care and/or medical care spending accounts.

Also include payments made on your behalf except government payments made directly to an educational institution or subsidized housing project.

Line 22: Enter service-connected disability compensation and pension benefits from the Veterans Administration and workers' compensation benefits. Veterans receiving retirement benefits should enter the benefits on line 14.

Line 23: Enter the total payments made to your household by the DHS and all other public assistance payments. Your 2006 *Client Annual Statement* (DHS-1241) mailed by DHS in January 2007 will show your total DHS payments. Your statement(s) may include the following: Family Independence Program (FIP) assistance, State Disability Assistance (SDA), Refugee Assistance, Repatriate Assistance and vendor payments for shelter, heat and utilities. **Note:** If you received a 2006 FEN-851, subtract the amount of child support payments entered on line 19 from the total DHS payments and enter the difference here.

Line 25: Enter total adjustments from your U.S. 1040, line 36, or U.S. 1040A, line 20. Describe adjustments to income. These adjustments reduce household income and include the following:

- Archer MSA deduction
- Certain business expenses of reservists, performing artists and fee-basis government officials (U.S. 2106 or U.S. 2106EZ)
- Payments to individual retirement accounts (IRAs), SEP, SIMPLE or qualified plans
- Student loan interest deduction
- Medical savings account deduction
- Health savings account deduction
- Moving expenses into or within Michigan
- Deduction for self-employment tax
- Self-employed health insurance deduction
- Penalty on early withdrawal of savings
- Alimony paid
- Jury duty pay you gave to your employer
- Domestic production activities deduction
- Any other adjustments to gross income included on line 36 of your 2006 U.S. 1040.

Also enter the amount of an NOL deduction. **Note:** A deduction for a carryback or carryforward of an NOL cannot exceed federal modified taxable income. Attach your Form MI-1045.

Line 26: Enter medical insurance or HMO premiums you paid for yourself and your family (**not Medicare**). Include medical insurance premiums paid through post-tax payroll deduction. Include the portion of auto insurance paid for medical coverage. Do **not** include insurance premiums deducted on line 25 or premiums paid for income protection and long-term care insurance or amounts paid through pre-tax payroll.

Property Tax Credit

Line 29: Multiply line 28 by 3.5 percent (.035) or the percentage from Table 3 on this page. **This is the amount that will not be refunded.** The personal representative claiming a credit for a deceased taxpayer with household income of \$6,000 or less must annualize the deceased's income and use the annualized figure to determine the nonrefundable percentage from Table 3 on this page. Then use the **actual** household income to compute the credit. See instructions for annualizing on this page.

Line 34: Taxpayers with household income over \$82,650 (line 28) are not eligible for credit in any category. The computed credit is reduced by 10 percent for every \$1,000 (or part of \$1,000) that your household income exceeds \$73,650. If you are filing a part-year return (for a deceased taxpayer or a part-year resident), you must annualize the household income to determine if the credit reduction applies. If the annualized income is more than \$73,650, use actual household income to compute the credit; then reduce the credit 10 percent for every \$1,000 (or part of \$1,000) that your annualized income exceeds

\$73,650. The surviving spouse filing a joint claim does not have to annualize the deceased spouse's income.

To annualize income (project what it would have been for a full year):

Step 1: Divide 365 by the number of days the claimant was a Michigan resident in 2006.

Step 2: Multiply the answer from step 1 by the claimant's household income (line 28). The result is annualized income.

Line 35: If you and your spouse had a different residency status, check the box that applies to each spouse.

Renters

See "Rent That Can Be Claimed for Credit" on page 18.

Line 43: If you rented a Michigan homestead subject to local property taxes, enter the street number and name, city, landlord's name and address, number of months rented, rent paid per month and total rent paid. Do this for each Michigan homestead rented during 2006. If you need more space, attach an additional sheet. Do not include more than 12 months' rent. Do not include amounts paid directly to the landowner on your behalf by a

government agency, unless payment is made with money withheld from your benefit.

Credit Proration

If you received FIP assistance or other DHS benefits in 2006, prorate your credit to reflect the ratio of income from other sources to total household income. To prorate your credit, complete your Form MI-1040CR, lines 1-30 first, then use the information from your form to complete Worksheet 5 below.

Alternate Property Tax Credit for Renters Age 65 or Older

Worksheet 6, Line B: Enter rent paid from line 44 or, if you live in service fee housing, enter amount from line 46. If you moved from one rental homestead to another during the last two years (also see "If You Moved in 2006" on page 19), enter smaller of:

- The final month's rent on your previous rented homestead multiplied by 12, **or**
- The actual rent paid from line 44 or line 46.

TABLE 3: PERCENT OF TAXES NOT REFUNDABLE

ALL GENERAL CLAIMANTS

<u>Income</u>	<u>% of Income</u>
\$0 - \$82,650	3.5%

OTHER CLAIMANTS*

<u>Income</u>	<u>% of Income</u>
\$3,000 or less	0%
\$3,001 - \$4,000	1%
\$4,001 - \$5,000	2%
\$5,001 - \$6,000	3%
More than \$6,000	3.5%

*Other claimants are senior citizens or people who are paraplegic, hemiplegic, quadriplegic, blind, deaf, or totally and permanently disabled or unremarried spouse of an individual 65 or older.

WORKSHEET 5 - FIP/DHS BENEFITS

- A. Enter amount from line 23 (FIP and other DHS benefits) _____
- B. Enter amount from line 28 (Household Income) _____
- C. Subtract line A from line B (if amount is a negative value, enter 0) _____
- D. Divide line C by line B and enter percentage here _____
- E. If you checked a box on line 5, enter amount from line 30. All others, multiply amount on line 30 by 60% (.60) and enter here (max. \$1,200) ... _____
- F. Multiply line E by line D. If you are age 65 or older and you rent your home, enter amount here and on line A of Worksheet 6 below. _____
- Otherwise, enter here and on your MI-1040CR, line 32** _____

WORKSHEET 6 - ALTERNATE PROPERTY TAX CREDIT FOR RENTERS AGE 65 AND OLDER

- A. Enter amount from line 30 or from Worksheet 5, Line F, above _____
- B. Enter rent paid from line 44 or line 46 _____
- C. Multiply amount on line 28 by 40% (.40) and enter here _____
- D. Subtract line C from line B. If line C is more than line B, enter "0" _____
- E. Enter the larger of line A or line D here and carry amount to your MI-1040CR, line 32 _____